

RECOVERY RAMP UP
Michigan State Energy Program (SEP)
American Recovery and Reinvestment Act (ARRA)
May 12, 2009

The state of Michigan has conducted a thorough evaluation to use ARRA –SEP funds to maximize the creation and retention of jobs; reduce energy consumption; increase the installation of renewable energy systems; and reduce greenhouse gas emissions. To this end, Michigan will be employing a number of financial mechanisms to maximize the leveraging and sustainability of the ARRA funds; to expedite the implementation of the projects selected for funding; and to build on and compliment existing programs and initiatives that drive the state towards reaching its energy goals and objectives.

Strategy for ARRA – SEP Funds:

Michigan will use ARRA-SEP monies on: (1) implementing energy efficiency upgrades and renewable energy generation at state facilities; and (2) facilitating the adoption and deployment of energy efficiency and renewable energy in the private sector by supporting the manufacture of components required for these projects

To develop this portfolio of initiatives, the state considered the following:

- Potential funding streams in the ARRA Act, as well as other federal opportunities
- Energy Goals and Objectives
- Existing programs
- Shovel Ready projects both internally and externally
- Key objectives that form the basis of the ARRA Act, i.e. energy efficiency, jobs, renewable energy installation and greenhouse gas impact

Optimizing and Targeting Funding Streams

The targeted use of funds for the ARRA-SEP was designed to compliment other state and federal funding sources. The Energy Efficiency Conservation Block Grant Program will allow cities and counties to implement energy efficiency and conservation strategies in their jurisdiction. Federal weatherization funds; additional state programs and Michigan's utility-sponsored energy efficiency programs will focus on implementing energy efficiency measures in homes and businesses. Michigan plans to use the ARRA-SEP funding to focus on energy efficiency and renewable energy measures in state buildings and stimulating clean energy manufacturing. The traditional SEP Program will still be funded, but at a small percentage compared to the ARRA-SEP and will maintain the match and expenditure caps. Thus, the traditional SEP will be focused on similar programs to those of previous years but across a broader set of fund elements.

The DELEG is also continuing to examine the competitive funding streams as the Funding Opportunity Announcements are released, and collaborating with other state agencies and external stakeholders to identify partnerships for projects that can compete well at a national level.

Energy and Climate Goals

The state's existing master plan, submitted pursuant to the Energy Policy Act of 2005, is to improve the efficient use of energy by 25 percent by the calendar year 2012, as compared to the 1990 calendar year. In addition, Michigan's Public Act 295 of 2008 establishes energy efficiency goals for state government and private utilities and a renewable portfolio standard of 10 percent by 2015. In addition, in her 2009 State of the State Address, Governor Granholm announced that the state would attempt to reduce its reliance on fossil fuels by 45 percent by the year 2020, as measured against the 2002 baseline year.

In 2007, Governor Granholm appointed a broad group of stakeholders to the Michigan Climate Action Council to develop Climate Action plan for the state. This group recently published its

Purchasing, as well as a Material Management Plan. Purchasing Operations surveyed its current vendors in the areas of Janitorial Supplies, Office Supplies, and Tools and Hardware to identify those products that are considered "green" in these categories: Green Seal Approved, GreenSeal Certified, Bio-based, Bio-Renewable, Environmentally Friendly, Recycled, Energy Star Compliant, Federal Energy Management Program, EPA Program approved and EPEAT-Electronic Product Environmental Assessment Tool.

Performance Contracting: The state has had Department of Energy present training in the use of Energy Service Companies for performance contracts. In addition, the state has issued notices of intent to prequalify contractors that would be able to provide these services and accept the terms and conditions to conduct the energy efficiency efforts through performance contracting.

Revolving Loan Funds: The state has extensive experience in effectively managing revolving loan funds, e.g., State Revolving Loan Fund, Michigan Strategic Fund, Brownfield Redevelopment Loan Fund, Revitalization Revolving Loan Fund, and Small Business Pollution Prevention Loan Program. Additional loan fund and loan guarantee programs are being evaluated with the Departments of Energy, Labor, and Economic Growth, the Michigan Economic Development Corporation, and the Departments of Management and Budget, Treasury and the State Budget Office. The state is currently evaluating which mechanisms, or new mechanisms would best enhance and expedite the implementation of the ARRA-SEP funds.

Collaboration with Existing Programs

Michigan Saves: In 2009, the MPSC created and funded via the LIEEF a statewide, innovative energy efficiency and distributed renewable energy financing system called *Michigan Saves*. *Michigan Saves* will establish an administrative structure that will operate a supportive fund to serve as an initial capital pool available to finance the installation of energy efficiency measures and renewable energy systems with no up-front cost to utility customers (commercial, industrial, residential).

Green Jobs Initiative:

The ARRA – SEP strategy has been designed to create and retain jobs in the state. This effort will be supported by the robust Green Jobs Training Initiative already successfully in place. The Green Jobs Initiative, a \$6 million investment is designed to:

- Increase the number of green industries and businesses in Michigan.
- Develop green education and training programs, spurring the growth of Michigan's green economy.
- Invest in worker education and training to prepare our workers for green jobs.
- Support urban renewal by creating green jobs and training opportunities for a diverse mix of people.

The Green Jobs Initiative designs and implements training programs for green jobs in the following ways:

- *Convene Green Sector Skills Alliances* -- Michigan will invest \$1.5 million to create Green Sector Skills Alliances -- alliances of business, labor, government and educational leaders who share interest and expertise in a specific green sector of Michigan's economy. In partnership with DELEG, the alliances will bring together the resources and expertise to develop specific training programs for jobs in these green industries.
- *Build Capacity to Provide Green Jobs Training* -- Michigan will invest \$1.5 million to help community colleges, universities, and training facilities build their capacity to develop and provide training for green jobs.
- *Invest in Tuition for Green Jobs Training* -- Through the No Worker Left Behind Initiative, Michigan will provide \$3 million in tuition support for eligible individuals pursuing approved green jobs training programs at Michigan colleges and universities.

identifying areas where bulk purchasing, performance contracting and other measures can enhance the performance.

Issuance of Purchasing Guidance and Notices of Intent:

The lead purchasing agency for the state of Michigan, Department of Management and Budget (DMB) has issued purchasing guidance document to aid state agencies in conducting valid and expedited purchasing for the use of ARRA funds.

The DMB has also issued a Notice of Intent to prequalify energy providers for energy auditing and for performance contracting solutions.

Project Pipelines for Industry/Manufacturing Sector

The Michigan Economic Development Corporation has identified a pipeline of over 2500 manufacturing supply companies within the state that have the capability to diversify into new verticals. They are continuing to work on assessing their capabilities, prepare them to work with commercially available product lines, and match them with customers. The MEDC and the DELEG are collaborating on the development of the Request for Proposal for this funding element and will be evaluating whether there are state funds and mechanisms that can be leveraged to achieve greater success.